

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7416

BILL NUMBER: HB 1873

DATE PREPARED: Feb 2, 2001

BILL AMENDED: Feb 1, 2001

SUBJECT: Hospice.

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FUNDS AFFECTED: X

**GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: (Amended) This bill defines room and board. The bill requires Medicaid to reimburse hospices for room and board services at a rate of 95% of the average case-mix per diem reimbursement rate for Medicaid payments in effect for health facilities licensed under IC 16-28 as of July 1 of each year. The bill also requires the State Department of Health to conduct annual surveys of hospices until July 1, 2003, and to adopt guidelines to survey hospices every one to three years after July 1, 2003.

Effective Date: July 1, 2001.

Explanation of State Expenditures: (Revised) The estimated cost of providing room and board reimbursement in hospice in-patient facilities is estimated to be about \$50,000 to \$130,000 annually. This is based on an assumed 76 to 94 individuals annually choosing to receive hospice care in a hospice facility rather than in a nursing home. According to the Office of Medicaid Policy and Planning (OMPP) and the Health Care Financing Administration (HCFA), there would be no federal financial participation (FFP) for room and board expenditures provided in a hospice facility.

Background: This bill provides that a hospice facility is entitled to a per diem reimbursement for room and board that is equal to 95% of the average case-mix per diem reimbursement rate OMPP pays to nursing facilities. The average case-mix per diem rate for October 2000 was \$96.07 (95% of which equals \$91.27).

Number of Individuals: Currently, Medicaid hospice recipients in Indiana may choose to be served at home or in nursing facilities. There were 1,131 individuals served under the Medicaid hospice program in FY 1999. Of these individuals, 75% (or 848) were served in nursing or acute care facilities, and 25% (or 283) were provided hospice benefits at home. Medicaid will pay for hospice care plus a payment for room and board when care is provided in a nursing home. Medicaid will pay for hospice care, but not for room and board, when care is provided in the patient's own home or in a free-standing hospice facility. This bill would require the state to reimburse for room and board when the care is provided in a hospice facility.

Assuming that the individuals who receive hospice care at home continue to have a preference for home care, the population most likely affected is comprised of those individuals who would otherwise receive hospice care in a nursing home, but would prefer a hospice facility instead. There are currently five in-patient hospices in Indiana representing a total of 55 beds: Munster (6 beds), South Bend (7 beds), Fort Wayne (8 beds), Valparaiso (10 beds, expanding to 20 beds next year), and Indianapolis (24 beds).

In order to estimate the number of individuals that might choose to receive hospice services in a free-standing facility, data was obtained from the state of Washington which has a similar program. For FY 2000, the number of individuals who received their hospice benefits in a free-standing hospice facility equaled 6.7% of the total number of hospice program recipients (home + inpatient hospice + nursing home) or 11.1% of the number of patients receiving hospice benefits in nursing homes. Applying these percentages to Indiana's Medicaid hospice population provides an estimate of 76 to 94 individuals who might take advantage of free-standing hospice facilities.

Average Length of Stay: To determine the average length of stay that would occur for individuals receiving services in a free-standing facility, all five free-standing hospice facilities in Indiana were contacted. The weighted average length of stay for patients currently receiving hospice services in these Indiana facilities is about 11 days. A free-standing hospice in the state of Washington was contacted and their average length of stay for Medicaid recipients in their program was 25 days. This analysis assumes the average in Indiana will fall within the range of 11 to 25 days.

Increase in Per Diem Cost: Indiana Medicaid already pays room and board for those individuals receiving hospice benefits in nursing homes (at 95% of the facility's case-mix reimbursement rate). Consequently, the additional costs to the state would be for (a) the room and board paid in a hospice facility (which equals 100%, because there is no federal financial participation, times 95% of \$96.07, the average case-mix rate for October 2000 = \$91.27 per day) **less** (b) what Medicaid is currently paying for hospice room and board in a nursing facility (which equals 38%, the state Medicaid match, times 95% of \$96.07, = \$34.68 per day). The difference is equal to \$56.59 per day.

Net Impact: Consequently, for every individual who chooses to receive hospice care in a hospice facility rather than in a nursing home, and based on the average length of stay of 11 to 25 days, the additional cost to the state would be \$56.59 per day, or \$623 for the average 11-day stay; \$1,415 for a 25-day stay. Consequently, if 76 to 94 individuals were to choose to receive hospice services in a free-standing hospice facility rather than a nursing home, the additional cost to the state would range from \$50,000 to \$130,000.

Note on Medicaid FFP: According to OMPP and HCFA, federal financial participation is not available for room and board services associated with hospice care, except when provided in a nursing home. Federal hospice regulations provide for a room and board pass-through to a nursing facility (where, out of the rate paid to the hospice provider, the contracted amount for room and board must be passed on to the nursing facility). However, this policy does not apply to a free-standing hospice facility. However, it should be noted that at least one other state conducts a similar program that is eligible for FFP. It is assumed that whatever the other state is doing to achieve eligibility (and that might be possible in Indiana) is beyond the provisions of this bill. Consequently, any expenditures associated with this bill are assumed to represent state dollars, only. In addition, according to OMPP, because there is no FFP, the program could not be administered through OMPP.

Explanation of State Revenues: See Explanation of State Expenditures, above, regarding federal financial participation in the Medicaid program.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: OMPP.

Local Agencies Affected:

Information Sources: Kathy Gifford, OMPP, (317) 233-4455.